

## Message Text

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PAGE 01 STATE 197498

72

ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 PRS-01 SP-03 OMB-01 SWF-02 AF-10

ARA-16 EA-11 NEA-14 IO-14 NSCE-00 SSO-00 USIE-00

INRE-00 /230 R

DRAFTED BY EB/OT/STA:ECONSTABLE:CLJ

APPROVED BY EB/OT/STA:WCLARK, JR.

EUR/IB:MDURKEE

TREAS:RSELF

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID IMMEDIATE

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E.O. 11652:GDS

TAGS: ETRD, SP

SUBJECT:COUNTERVAILING DUTIES ON BOTTLED OLIVES AND  
NON-RUBBER FOOTWEAR

1. TREASURY INFORMED SPANISH EMBASSY IN WASHINGTON TODAY  
THAT ADDITIONAL DUTIES WILL BE ASSESSED ON NON-RUBBER FOOT-  
WEAR (3 PERCENT) AND BOTTLED OLIVES (2.9 PERCENT) IMPORTED  
FROM SPAIN. A PRESS RELEASE WILL BE ISSUED ON WEDNESDAY,  
SEPTEMBER 11 AND A NOTICE WILL APPEAR IN THE FEDERAL  
REGISTER ON THURSDAY, SEPTEMBER 12.

2. IN RESPONDING TO GOS EMBASSY MAY EMPHASIZE THAT ACTION  
ON BOTTLED OLIVES AND FOOTWEAR IS NOT PART OF A COMPREHEN-  
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PAGE 02 STATE 197498

SIVE REVIEW OF U.S.-SPANISH TRADE RELATIONS BUT A SINGLE, SPECIFIC ACTION. THE IMPOSITION OF DUTIES FOLLOWS A LENGTHY INVESTIGATION WHICH WAS REQUIRED BY LAW FOLLOWING RECEIPT OF A COMPLAINT FROM THE U.S. INDUSTRY CONCERNED. THE PROVISIONS OF THE COUNTERVAILING DUTY LAW ALSO REQUIRE THE SECRETARY OF THE TREASURY TO ASSESS AN ADDITIONAL DUTY ONCE HE DETERMINES A "BOUNTY OR GRANT" TO EXIST. DESPITE THE ABSENCE OF AN INJURY REQUIREMENT IN ITS COUNTERVAILING DUTY LAW, THE U.S. IS IN CONFORMITY WITH THE GATT UNDER THE PROTOCOL OF PROVISIONAL APPLICATION WHICH EXEMPTS THOSE COUNTRIES WITH LEGISLATION WHICH IS INCONSISTENT WITH THE GATT BUT WHICH PREDATES THE GATT.

3. EMBASSY CAN POINT OUT THAT TREASURY CAREFULLY ANALYZED THE INFORMATION PROVIDED BY GOS, INCLUDING THE RECENT TECHNICAL SUBMISSION, AND RESPECTS THE ARGUMENTS SET FORTH BY GOS IN THIS MATTER. HOWEVER, AS A RESULT OF TECHNICAL DISCUSSIONS AND FINAL TREASURY REVIEW, IT WAS CONCLUDED THAT "BOUNTIES OR GRANTS" WITHIN THE MEANING OF THE COUNTERVAILING DUTY LAW DO IN FACT EXIST IN THE CASE OF BOTTLED OLIVES AND NON-RUBBER FOOTWEAR. EMBASSY SHOULD EMPHASIZE THAT TREASURY OFFICIALS ACKNOWLEDGE THAT MOST ASPECTS OF THE SPANISH TAX REBATE SYSTEM ARE NOT BOUNTIES OR GRANTS.

4. EMBASSY MAY SUGGEST THAT IN THE LONGER RUN, THE BEST COURSE OF ACTION MAY BE TO NEGOTIATE INTERNATIONALLY A COMPREHENSIVE MULTILATERAL AGREEMENT GOVERNING THE USE OF SUBSIDIES AND COUNTERVAILING DUTIES. EMBASSY SHOULD EXPRESS U.S. GOVERNMENT HOPE THAT THE IMMEDIATE PROBLEM IN NO WAY IMPAIRS THE GOOD RELATIONS BETWEEN OUR TWO COUNTRIES.

5. IF GOS AGAIN RAISES ISSUE AS MATTER FOR JOINT ECONOMIC COMMITTEE MEETING EMBASSY MAY DRAW ON ARGUMENTS IN STATE 184741. ALSO, IF GOS OFFICIALS CONTINUE TO ARGUE THAT INSUFFICIENT TIME WAS ALLOWED FOR SUBMISSION OF WRITTEN COMMENTS, EMBASSY MAY DRAW ON CONTENTS OF STATE 173382. KISSINGER

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COUNTERVAILING DUTIES, EXPORTS, FOOTWEAR, PRESS RELEASES, SHOES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** kelleyw0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE197498  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** ECONSTABLE:CLJ  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Film Number:** D740250-0566  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740983/aaaahsp.tel  
**Line Count:** 103  
**Locator:** TEXT ON MICROFILM, TEXT ON-LINE  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 JUN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17 JUN 2002 by elyme>; APPROVED <10 MAR 2003 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> srp 971112  
**Subject:** COUNTERVAILING DUTIES ON BOTTLED OLIVES AND NON-RUBBER FOOTWEAR  
**TAGS:** ETRD, SP, US  
**To:** MADRID  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005